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CRC, 5/12/2003

MEMORANDUM FOR: The Comptroller

SUBJECT : Employee Services Annual Notice Re Income Tax Reporting (No. 20-660-92)--Suggested Addition

1. For the reasons stated below, I suggest that it would be well to insert in future editions of subject Notice a provision to the effect that any profit realized upon the sale of an automobile, an article of household equipment or other article of personal property, whether the sale be made abroad or in the U. S., constitutes a "capital gain" and must therefore be reported in the individual's income tax returns.

2. The matter of sales by U. S. employees stationed abroad of automobiles, household appliances, etc., appears to be coming under closer scrutiny by various U. S. authorities. As you will recall, the matter of such sales and of the conversion of the proceeds into dollars is, among other matters, treated at some length in the OCE Report entitled "United States Employees Overseas," issued in April 1958, and in the OCE "Guides for Use in Developing Uniform Regulations for a Particular Country Relative to the Importation and Disposal of Personal Property, the Acquisition and Conversion of Local Currency and the Importation, Operation and Disposal of Motor Vehicles," dated October 1, 1958. (Extensive quotations from the "Guides" were published in the Agency's Support Bulletin September-October 1958.) We understand that the OCE is now preparing its first annual report on the degree to which its recommendations have been carried out and that the OCE Staff has been gathering information for this prospective report by circulating questionnaires and by interviewing Chiefs of US Missions abroad, when they come to Washington. Recently a member of Congress (Senator Mansfield) inquired of the Department of State concerning the amount of rupees that U. S. personnel in Karachi had changed into U. S. dollars during the first 10 months of 1958. This inquiry brought out the fact that a number of U. S. personnel had sold their personal automobiles at the high market value then prevailing in Karachi of 200-300 per cent of the U. S. price. It is therefore quite possible that this inquiry may

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be extended to the further question whether the individuals involved have declared in their income tax returns the capital gains realized on such sales. Publication of the suggested Notice would be of special value to any personnel stationed abroad who are unfamiliar with the provision of the tax law that such gains are taxable even when the sale is made outside the U. S.

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/s/ Lyman B. Kirkpatrick

Lyman B. Kirkpatrick  
Inspector General

cc: Deputy Director (Personnel)  
General Counsel  
ATTN: Mr.

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